



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

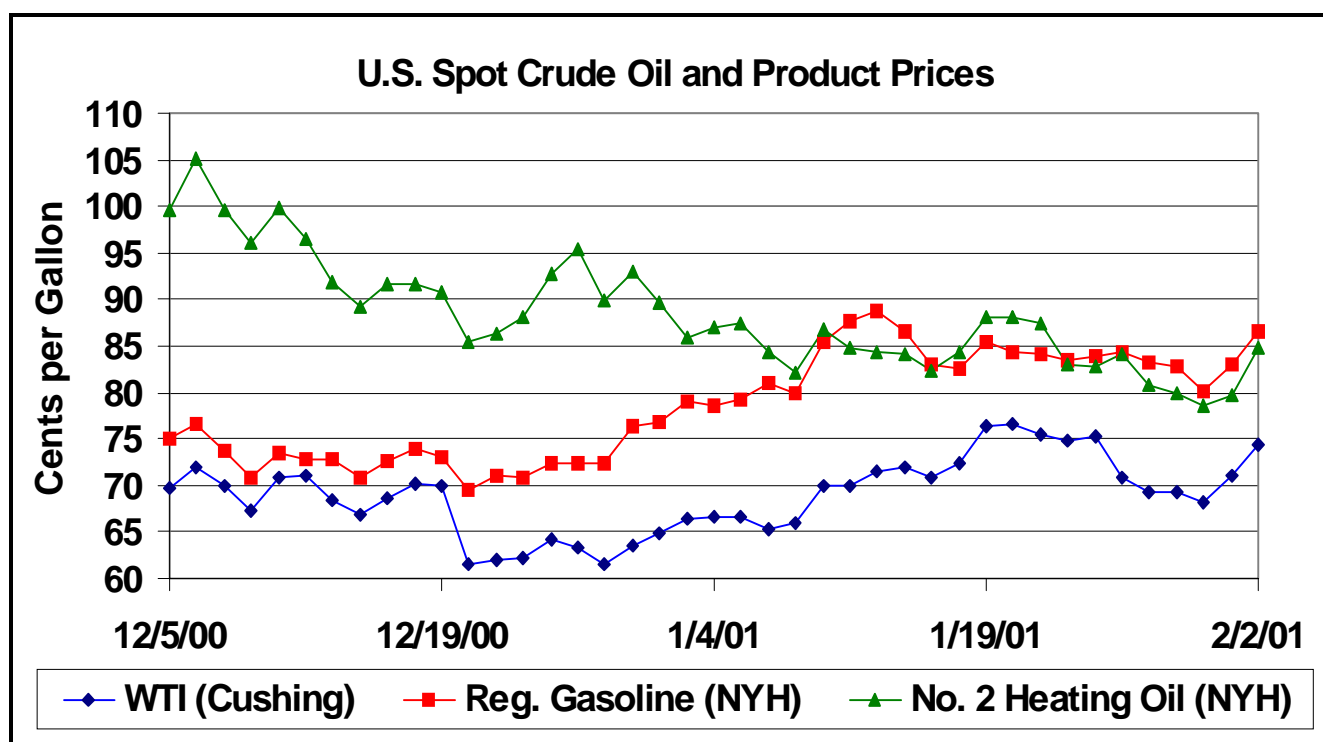
MARKET SUMMARY

U.S. crude oil and petroleum product prices dipped further last week before rebounding on Thursday and Friday, ending with net increases in futures and most spot prices nationwide. With few significant domestic or international developments to impact markets, day-to-day price movements were largely driven by inventory levels, changing weather forecasts, and futures contract expirations. Prices generally drifted downward through midweek, culminating in solid declines on Wednesday sparked by a larger-than-expected gasoline stockbuild. Recovery through Friday was attributed to shortcovering after recent declines, forecasts of colder weather in the next week, and gains in Brent crude oil prices in Europe.

Crude oil - prices began the week in a continuation of the previous week's decline, as markets watched the on-and-off status of Iraqi exports, and awaited the OPEC output cuts slated to begin in February. Further decline on Wednesday, despite a 3.6-million-barrel stockdraw for the week ending January 26, took WTI spot and futures prices to 3-week lows under \$29 per barrel. Strong gains on Thursday and Friday returned prices to the upper end of their recent trading range, with WTI back above \$31 per barrel.

Gasoline - maintained a fairly consistent spread against crude oil prices throughout the week, despite a huge 5.2-million-barrel stockbuild for the week before. Reaction to the rise in inventories, which left stocks slightly above year-ago levels, pulled prices to their low for the week on Wednesday, as the February NYMEX futures contract expired. Total increases of over 6 cents per gallon on Thursday and Friday brought prices back up to a net gain for the week.

Distillate - prices continued to ease, as stocks held steady through January, ending higher than in 2000 and easing supply concerns for the remainder of the heating season. New York Harbor spot heating oil fell to a six-month low on Wednesday, before regaining ground to end the week with a small net increase.



CHRONOLOGY OF RECENT MARKET EVENTS

- 2/2 - rising** - crude oil and product prices climbed for a second day, sending WTI solidly back over \$31 per barre and near the high end of its recent trading range. Rising prices for Brent crude oil and forecast colder temperatures for next week were cited as factors in U.S. market strength.
- 2/1 - rising** - spot and futures prices rose marketwide, with crude oil the strongest element, and products virtually reversing Wednesday's decreases. Amid few significant developments affecting fundamentals, analysts largely attributed the gains to shortcovering in the wake of recent declines.
- 1/31 - falling** - prices declined across the board, led by gasoline, following the weekly API and EIA supply reports, and ahead of NYMEX February product futures contract expiration at the close of trading. A surprisingly large build in gasoline stocks overshadowed an unexpected crude oil stockdraw, driving all prices lower.
- 1/30 - mixed** - crude oil prices were nearly flat, while most products eased, with the exception of Februar NYMEX gasoline futures, which rose ahead of expiration on Wednesday. A report of higher Iraq oil exports last week kept crude prices in check, while milder weather pulled distillates downward.
- 1/29 - falling** - all prices dropped, led by a sharp decline in distillates, credited primarily to forecast milder temperatures over the next 10 days. A sharp decline in NYMEX natural gas futures prices, ahead of February contract expiration, was also seen as a factor in petroleum markets.
- 1/26 - mixed** - most prices rose solidly, despite a lack of significant news, leaving March NYMEX crude oil just short of \$30 per barrel. Only spot WTI prices dropped, reflecting the rollover to March basis pricing following the February pipeline nomination deadline.
- 1/25 - rising** - prices moved moderately upward marketwide, largely attributed to a technically-driven recover after two days of declines. Mexico's decision not to cut oil exports in line with OPEC was seen as limiting crude oil price gains.
- 1/24 - falling** - distillates led prices lower across the board for a second day, as rising heating oil inventories left markets even softer than expected. With both distillate and crude oil stocks above year-ago levels, supply concerns for the remainder of the heating season appear to be diminishing.
- 1/23 - falling** - all prices fell, led by distillates, on forecast milder temperatures and expectations for the weekly API and EIA supply reports. An expected modest distillate stockdraw was seen as bearish in comparison to a decline of more than 8 million barrels during the same week a year ago.
- 1/22 - mixed** - gasoline prices eased, while crude oil and distillate ended nearly unchanged. NYMEX crude oil briefly rose to a 7-week high, before selling ahead of February contract expiration at the close brought prices back to Friday's level.
- 1/19 - rising** - prices climbed strongly across the board, largely attributed to NYMEX crude oil shortcovering ahead of February contract expiration on Monday. WTI spot and futures prices closed over \$32 per barrel, their highest level since November 30.